

Fund objective

To outperform (after deduction of costs) the ICE BofA Sterling Non-Gilt Index by 0.75% per annum over rolling three-year periods.

The manager believes this is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Sterling Corporate Bond Sector.

There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

Investment proposition

The Fund seeks to maximise total return relative to an index comprised of sterling investment grade bonds. Performance is driven by stock selection. Ideas are sourced primarily from investment grade bonds and are driven by fundamental, bottom-up stock analysis. Our portfolio is well diversified, with exposure to between 50-90 companies typically. Holdings are sized according to our level of conviction in their prospects and the risks they pose.

Periodic performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Inc (%)	1.0	4.4	7.3	-0.7
Index (%)*	0.7	3.7	6.9	-1.1
Target (%)**	0.9	4.6	7.8	-0.4
Sector Average (%)***	0.9	4.2	7.4	0.0
Sector Ranking	36/97	43/96	43/92	53/89

Annual discrete performance

	30/09/20-30/09/21- 30/09/2130/09/22	30/09/22- 30/09/23	30/09/23- 30/09/24	30/09/24- 30/09/25	
Class B-Inc (%)	0.3	-22.1	6.5	11.1	4.4
Index (%)*	-0.3	-22.2	7.4	9.7	3.7
Target (%)**	0.2	-21.9	8.2	10.6	4.6
Sector Average (%)***	1.3	-20.5	7.3	10.9	4.2

Source: FE, Revolution, ICE Data Indices. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

*ICE BofA sterling Non-Gilt Index.

**ICE BofA sterling Non-Gilt Index plus +0.50% to 16 September 2022; thereafter ICE BofA sterling Non-Gilt Index plus +0.75% per annum, over rolling three-year periods. The indices have been chain-linked for performance figures above.

***IA £ Corporate Bond Sector.

Fund facts

Managers	Paul Dilworth / Nektarios Chatzilefteris Michalas
Fund launch date	30 November 2001
Fund size	£1055.7m
IA sector	£ Corporate Bond
Current number of issuers	80
Typical number of issuers	50-90
Structure	OEIC
Duration	5.5
Average credit rating	BBB
Tracking error	0.8
Tracking error range	0.5-2.5
Redemption Yield	5.1
Running Yield	4.8

Source: Baillie Gifford & Co.

Top ten issuers*

	% Total assets
UK Treasury	3.2
NatWest Group plc	3.1
HM Treasury	2.8
Telereal Securitisation PLC	2.7
Banca Intesa BCI	2.5
Banco Santander	2.4
AT&T	2.3
National Grid	2.2
Blackstone / GSO Loan Financing Limited	2.1
EDF	2.1

*The Fund may also hold derivative positions for hedging purposes.

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Distribution of portfolio by asset class

	Fund weight* (%)
Sterling	
Conventional Sovereign	6.9
Conventional Non Sovereign	71.3
Index Linked	0.0
Total Sterling	78.2
Cash & Derivatives	
Total Cash & Derivatives	5.6
Foreign Currency	
Conventional Sovereign	0.0
Conventional Non Sovereign**	16.2
Index Linked	0.0
Total Foreign Currency	16.2
Total	100.0

*Shows exposure to bonds in the currency before any hedging is applied

**Includes impact of credit default positions.

Distribution of portfolio by credit rating band

	Fund weight (%)
AAA	5.5
AA*	11.5
A*	10.2
BBB*	57.9
BB* **	6.9
B	2.5
Cash & Derivatives	5.6

*Includes BG internally-rated bonds where there is no official rating.

**Includes impact of credit default positions.

Distribution of Portfolio by Sector

	Fund Weight (%)
Financial	32.5
Industrials	29.9
Securitized	14.3
Utility	8.1
Quasi & Foreign Government	7.4
Sovereign	6.1
Covered	0.0
Index Credit Default Swaps *	-4.0
Cash & Derivatives *	5.6
Total	100.0

*Includes impact of credit default positions.

Distribution of portfolio by region

	Fund weight (%)
United Kingdom	56.5
Europe**	19.3
North America	14.1
Supranational	2.0
Emerging Markets	1.5
Developed Asia	0.9
Cash & Derivatives	5.6
Total	100.0

**Includes impact of credit default positions.

Market environment

Following the initial wave of tariff-driven volatility earlier in the year, the most recent period has given way to a more resilient and relatively subdued backdrop. From a fixed income perspective, the big picture developments are all about the market's assessment of the Federal Reserve delivering a soft landing and the relative health of corporates following big shifts in the international tariff regime. The quarter saw inflation moderate and labour data soften enough for the Fed to cut interest rates for the first time this year. The market priced in a gradual easing, and company results were solid, leading to stable returns across most asset classes.

In Europe, the European Central Bank (ECB) held rates steady at 2 per cent this quarter. The Eurozone economy has been resilient in the face of tariffs, and inflation is tracking in line with objectives. The Bank of England held rates at 4 per cent in September. The BOE has a tough task. UK inflation remains well above target, growth expectations are low, and the traditional buyer base for gilts is changing, putting upwards pressure on yields.

In corporate bond markets, September saw the strongest supply of new corporate bonds this year, while demand remained high. This dynamic, paired with good economic data and benign defaults, saw credit spreads (the risk premium investors get paid for lending to companies over governments) continue to grind tighter over the quarter.

Performance

The Fund marginally outperformed its index over the quarter after accounting for the impact of swing pricing (a mechanism we use to ensure the cost of dealing is borne by those investing in or redeeming shares in the Fund). Security selection was the key driver of relative outperformance, with flexible office space provider IWG and European logistics and industrial real estate operator CTP performing strongly.

Over longer periods, including 1, 3 and 5 years, the Fund was broadly in line with the index largely due to positive bond selection and well-timed overweight allocations to credit risk during periods of positive market momentum.

Positioning

Reflecting the continued resilience of corporate bond issuers as a whole, credit spreads remain tight relative to history (there is an inverse relationship

between credit spreads and corporate bond prices). In this context, from a portfolio positioning perspective, our objective is to balance caution and optimism, recognising the supportive backdrop but the potential, given tight credit spreads, for price volatility.

An increasingly cautious stance led us to adjust the balance of the Fund's risk profile this quarter, reducing exposure to credits we view as less robust. The Fund remains reasonably defensively positioned overall, holding plenty of dry powder and maintaining an overweight to bonds at the front end of the yield curve (corporate bonds that are due to mature relatively soon), whose prices should be less volatile in a selloff. Importantly, the strategy continues to outyield the index, driven by a significant overweight to BBB-rated bonds and our enthusiasm for the total return potential of the asset class, given the attractive yields on offer.

We are optimistic about the portfolio's potential to add value from the bottom up and continue to identify new bonds with potential to add value for clients. For example, we purchased a new issue from German residential landlord TAG Immobilien. This is a highly resilient and conservatively managed business that came to market at a discount to peers.

Market Outlook

While market conditions are currently largely benign, there are significant risks to contend with. Valuations in corporate bond markets are relatively tight, increasing the potential for volatility in the event of bad news. Risks include higher-than-expected inflation in the US, escalating geopolitical instability, and greater government bond volatility resulting from poorly managed fiscal deficits in a number of Western economies.

Positively, resilient economic growth and broadly healthy company fundamentals give us cause for optimism. High all-in yields should continue to support the asset class, and we continue to find attractive opportunities to add value for clients from the bottom up. In this context, we remain patient and disciplined, focused on capturing attractive income by owning attractively valued bonds issued by resilient companies while maintaining low exposure to the most material systematic risks at the portfolio level.

Company engagement

Engagement type	Company
Environmental	Inchcape plc
Governance	Close Brothers Group plc, Inchcape plc, Worldline SA

For further details on company engagement please contact us. You can also find further information on how we integrate environmental, social and governance (ESG) matters into our investment approach, [here](#).

Asset name	Fund %	Asset name	Fund %
Sterling Bonds		EIB 4.625% 2054	0.3
Conventional Sovereign		EIB 6% 2028	0.6
LCR Finance 4.5% 2028	0.8	Ford Motor Co 5.625% 2028	1.5
Long Gilt Future 10yr Dec 25	0.0	Gatwick Funding 5.5% 2040	0.6
UK T Bill 08/12/2025	1.2	Great Portland Estates 5.375% 2031	0.4
UK Treasury 1.5% 22/07/2047	0.5	Heathrow Airport 6% 2032	1.5
UK Treasury 4.25% 07/12/2046	0.6	HSBC Bank 5.844% 2031 Perp	0.3
UK Treasury 4.25% 07/12/2049	0.8	Iberdrola SA 5.25% 2036	0.7
UK Treasury 4.375% 31/07/2054	0.8	IBRD 5.75% 2032	0.5
UK Treasury 4.75% 07/12/2030	1.0	Inchcape 6.5% 2028	1.4
UK Treasury 4.75% 22/10/2043	1.2	Intesa Sanpaolo 6.5% 2028/29	1.5
Total Conventional Sovereign	6.9	Intesa Sanpaolo 6.625% 2033	1.0
		Investec 1.875% 2027/28	0.8
Conventional Non Sovereign		Investec 10.5% 2030 Perp AT1	0.3
Abrdn 5.25% 2026 Perp AT1	0.4	Investor 5.5% 2037	0.4
Admiral Group 8.5% 2034 T2	1.0	KBC 1.25% 2027	0.4
Anglian Water 5.75% 2043	0.6	KfW 4.25% 2030	0.7
Anglian Water 6% 2039	0.2	KfW 5% 2036	0.4
Anglian Water 6.25% 2044	0.4	KfW 6% 2028	0.8
Assura Financing 1.625% 2033	1.5	Longstone 4.896% 2031	0.6
AT&T 4.25% 2043	0.3	Lunar Funding 1 5.75% 2033	0.5
AT&T 4.875% 2044	0.3	Mitchells & Butlers FRN 2033 (AB)	1.5
AT&T 7% 2040	1.6	Motability 3.625% 2036	0.4
B&M European Value Retail 8.125% 2030	0.5	Motability 5.625% 2035	0.8
Banco Santander 5.5% 2029	1.1	Motability 6.25% 2045	0.7
Barclays 3.75% 2025/30 T2	0.3	National Gas Transmission 1.375% 2031	1.0
Barclays 7.09% 2028/29	0.5	National Grid ED plc 3.5% 2026	0.8
Barclays 8.407% 2027/32 T2	0.8	National Grid ED S Wales 5.35% 2039	0.5
Berkeley Group 2.5% 2031	0.9	Nationwide 7.875% 2031 Perp AT1	0.5
Blackstone Private Credit 4.875% 2026	2.2	Nationwide BS 10.25% Perp CCDS	0.7
Bunzl Finance 5.25% 2031	1.5	Nationwide Building Society 6.125% 2028	0.8
CaixaBank 6.875% 2028/33 T2	1.1	NatWest 5.642% 2034	1.2
Canada Pension Plan 1.25% 2027	0.5	Network Rail 4.75% 2035	0.9
Canada Pension Plan 1.625% 2071	0.7	New York Life Insurance 4.875% 2031	1.0
Center Parcs 5.876% 2027	0.9	Pearson Funding 5.375% 2034	0.6
Center Parcs 5.94% 2030	0.5	Pension Insurance 4.625% 2031 T2	1.0
Center Parcs 6.136% 2031	0.2	Pension Insurance Corp 8% 2033 T2	0.1
Centrica 6.5% 2030 Perp	0.4	Phoenix Group 7.75% 2033/53 T2	0.6
Centrica 7% 2033	0.3	Pinewood Gp 3.625% 2027	1.0
Close Brothers 7.75% 2028	0.5	Realty Income 1.875% 2027	0.3
DNB Bank 4% 2026/27	2.0	Realty Income 5% 2029	0.4
E.ON 5.875% 2037	0.3	Santander UK 7.098% 2026/27	1.3
E.ON 6.75% 2039	0.4	Schroders 6.346% 2029/34 T2	1.3
EDF 5.5% 2041	0.3	SNCF Reseau 5.25% 2035	0.3
EDF 5.625% 2053	1.0	South West Water 6.375% 2041	0.6
EDF 6% 2114	0.8	Sovereign Housing 4.768% 2043	0.4
EIB 4.5% 2044	0.6	Supermarket Income REIT 5.125% 2031	0.7

Asset name	Fund %	Asset name	Fund %
Telereal 1.3657% 2031 (A6)	0.1	Public Property Invest 4.625% 2030	1.9
Telereal 1.9632% 2031 (B2)	1.0	Sirius Real Estate 4% 2032	1.0
Telereal 3.5625% 2031 (A3)	1.0	Softbank 6.375% 2033	0.5
Telereal 5.634% 2031 (B3)	0.3	TAG Immobilien 3.625% 2032	0.4
Telereal FRN 2031 (B7)	0.4	TAG Immobilien 4.25% 2030	1.3
Temasek 5.125% 2040	0.3	Weir Group 5.35% 2030 (144A)	0.4
Tesco Property Finance 1 7.6227% 2039	0.4	Worldline SA 5.5% 2030	0.9
Tesco Property Finance 4 5.801% 2040	0.8	Total Conventional Non Sovereign	16.2
Virgin Media RFN 4.875% 2028	0.5	Total Foreign Currency Bonds	16.2
Volkswagen 3.25% 2027	1.0		
Weir Group 6.875% 2028	0.9	Cash & Derivatives	
Welsh Water 1.625% 2026	0.5	Forwards	
Welsh Water 2.375% 2034	0.6	EUR Fwd Asset 20-Nov-2025 S	-14.7
Welsh Water 5.75% 2044	0.8	GBP Fwd Asset 11-Dec-2025 P	1.8
Yorkshire Building Society 3.375% 2027/28 T2	0.4	GBP Fwd Asset 20-Nov-2025 P	17.9
Yorkshire Building Society 6.375% 2027/28	1.2	USD Fwd Asset 11-Dec-2025 S	-1.8
Yorkshire Power 7.25% 2028	1.1	USD Fwd Asset 20-Nov-2025 S	-3.3
Yorkshire Water 2.75% 2041	0.2	Total Forwards	-0.2
Yorkshire Water 5.5% 2035	0.2		
Yorkshire Water 6.375% 2034	0.2	Swaps	
Yorkshire Water 6.601% 2031	0.3	CDIB ITRX Crossover MLA	1.0
Total Conventional Non Sovereign	71.3	CDIB ITRX Crossover SAS	2.6
Total Sterling Bonds	78.2	IRS GBP PAY FLT 19/09/27	-11.7
		IRS GBP PAY FLT 21/03/27	-6.9
Foreign Currency Bonds		IRS GBP REC FIX 19/09/27	11.7
Conventional Sovereign		IRS GBP REC FIX 21/03/27	6.9
Euro-Bobl Future Dec 25	0.0	Total Swaps	3.6
Euro-Bund Future Dec 25	0.0		
US 5yr Note Dec 25	0.0	Cash	
Total Conventional Sovereign	0.0	Collateral Account Memo	0.6
		EUR Futures Initial Margin Account	0.1
Conventional Non Sovereign		EUR Uncommitted Cash	0.0
Axon Enterprise 6.125% 2030 (144A)	0.5	GBP BNY Revenue Uncommitted Cash	-0.9
BEL SA 4.375% 2029	1.3	GBP CCP Initial Margin	0.3
Blue Owl Credit Income 4.25% 2031	0.7	GBP CCP Variation Margin	0.0
Burford Capital 6.25% 2028 (144a)	0.4	GBP Futures Initial Margin Account	0.2
Burford Capital 9.25% 2031 (144A)	0.5	GBP Uncommitted Cash	1.9
CCO Holdings 5.125% 2027 (144A)	2.0	USD Futures Initial Margin Account	0.0
CDIB ITRX Crossover MLA	-1.1	USD Uncommitted Cash	0.0
CDIB ITRX Crossover SAS	-2.9	Total Cash	2.2
CPI Property 1.5% 2031	1.5	Total Cash & Derivatives	5.6
Deutsche Euroshop 4.5% 2030	1.3	Total	100.0
International Workplace Group 6.5% 2030	1.3	Please note the fund information contained within this document is proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage.	
Investor AB 4% 2038	0.5		
James Hardie 6.125% 2032 (144A)	1.3		
NatWest 3.632% 2034	2.0		
Piraeus Financial Holdings 5.375% 2030/35	0.5		

Share class	Share class inception date	ISIN	SEDOL	Annual management fee (%)	Ongoing charge figure (%)	Distribution yield (%)	Underlying yield (%)
Class B-Inc	26 March 2002	GB0030816481	3081648	0.25	0.27	5.00	4.70
Class B-Acc	01 April 2016	GB00BYQCYS34	BYQCYS3	0.25	0.27	5.00	4.70

The table displays the primary shares classes. Other share classes may be available for those investors who have a separate arrangement. Charges will reduce the value of your investment. Please refer to the Prospectus and Key Investor Information Document for further details.

The Ongoing Charges Figure ('OCF') may be lower than previous declarations as a result of a revision to how the indirect fees associated with closed-ended investment companies need to be shown. This does not necessarily mean that fund expenses have gone down rather that we have reverted to how they have been calculated until 30 June 2022 to reflect the revised Investment Association's Guidance on Disclosure of Fund Charges and Costs (July 2020, updated January 2022, revised November 2023). A more detailed Costs and Charges disclosure is available upon request.

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Additional geographical location information

Israel: This Report, as well as investment in the Fund described herein, is directed at and intended for Investors that fall within at least one category in each of: (1) the First Schedule of the Israeli Securities Law, 1968 ("Sophisticated Investors"); and (2) the First Schedule of the Investment Advice Law ("Qualified Clients").

The Fund's share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

As with any investment, the clients' capital is at risk. Past performance is not a guide to future returns.

Throughout the report all figures are rounded, so any totals may not sum. Not all stocks mentioned may be held by the portfolio.

All information as at 30 September 2025 and source is Baillie Gifford & Co unless otherwise stated.

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